

Financial *Status Report*

September 30, 2017

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through September 30, 2017. It compares revenues and expenditures for the first quarter of Fiscal Year 2017-18 and Fiscal Year 2016-17. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

August 2017



0.10%



Local Stock Prices

0.02%



Local Consumer Confidence

0.16%

Index of Leading Economic Indicators



0.51%

Building Permits



1.13%

Help Wanted Advertising



0.10%

Unemployment Insurance



0.78%

National Economy

University of San Diego Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.1 percent in August. Leading the gain were moderate increases in the outlook for the national economy and residential units authorized by building permits. There was also a small gain in consumer confidence. The three gains were matched by declines in three components. While initial claims for unemployment insurance and local stock prices were just barely negative, there was a sharp decline in online help wanted advertising. But it was not enough to prevent the USD Index from registering its 10th straight month without a decline.

Although it was close, August's increase leaves the outlook for the local economy the same as has been mentioned in previous reports. Positive but slower growth is expected for the rest of the year and at least through the first half of 2018. One negative that has developed in the wake of Hurricane Harvey has been the increase in local gas prices. After peaking at \$3.16 a gallon on September 7th, prices have dropped back a bit to \$3.10 a gallon. This compares to a price of roughly \$2.77 a year ago. With every one cent increase, an estimated \$1 million a month is taken out of the local economy. In this case, drivers in San Diego County are spending an extra \$33 million a month on gasoline when they could have been spending that money on other goods and services. While annoying, that amount is not large enough to disrupt the local economy and is not likely to be sustained for a significant period of time.

The trend for residential units authorized by building permits was positive for the third month in a row. As was mentioned in last month's report, the USD Index uses a moving average to smooth the data of volatile components. So August benefitted from the big levels seen in June and July. Both labor market variables dropped for the third straight month. Although negative, the pace of the decline for initial claims for unemployment insurance appears to be easing up. The opposite is occurring with help wanted advertising, where August's big decline was the largest of a six month losing streak. The net result was that the seasonally adjusted unemployment rate rose to 4.5 percent in August. This compares to a rate of 4.4 percent in July and 4.7 percent in August 2016. Seasonality is still significant as August is usually the second worst month of the year for the unemployment rate. After a tiny gain in July, local stock prices slipped a tiny amount in August. While local stock prices were higher on August 31st than on July 31st, the USD Index uses the average value for the entire month to determine the level of stock prices for that month. The average in August was just slightly lower than the average for July. Consumer confidence continued its winning streak with a 14th consecutive increase. The outlook for the national economy was solid once again. The national Index of Leading Economic Indicators has now increased every month for the last year. The third and final estimate of GDP growth for the second quarter came in at an annualized growth rate of 3.1 percent, which is up from the "advance" estimate of 2.6 percent and the second estimate of 3.0 percent. The national labor market eased up a bit in August when compared to July, with the unemployment rate rising to 4.4 percent and wage and salary job growth falling to 156,000.¹

General Fund Revenues



Property Taxes (\$2.3 million) – The majority of property tax revenue is collected in December and April each year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.36 percent for Fiscal Year 2017-18. This is the fifth year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects continued improvement in the housing market and new construction. The

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up Slightly in August*, September 28, 2017.

increase in this year's assessed values was due to a large increase in the assessed values of industrial properties in the city; the city saw smaller increases in residential and commercial property values for the year. This is the third year in a row since the Great Recession ended, that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

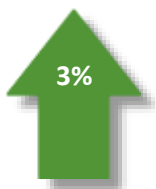
The primary reasons that property taxes for the first three months of the new fiscal year have increased by 14 percent as compared to the prior fiscal year are:

- Current taxes are up by \$23,000 or 2.5 percent due to timing differences.
- Aircraft taxes are up by \$94,000 due to timing differences.
- Supplemental taxes are up by \$90,000 due to an increase in property resales.
- Payments for previous years' taxes are up by \$68,000 due to an increase in the collection of past due tax bills.
- Unitary taxes are up by \$323.



Sales Taxes (\$9.1 million) – For the first three months of the new fiscal year, sales tax revenues are \$449,000 (or five percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second calendar quarter of 2017 (up five percent) as well as the first advance of the city's third calendar quarter of 2017 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy.

For sales occurring in the second calendar quarter of 2017 (the most recent data available), key gains were seen in auto sales – new, heavy industry, restaurants, and office equipment. During the same period, key declines were seen in apparel stores, miscellaneous retail, health and government, and food markets. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 68 percent of the city's sales tax revenues.



Transient Occupancy Tax (\$7.9 million) – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$22.2 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first three months of the new fiscal year reflect an increase of \$211,000, three percent more than the previous year. A

higher room rates and occupancy accounted for this positive variance. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of August 2017.

Currently, there are 4,381 hotel rooms and 1,159 registered vacation rentals in the city (931 timeshares and 228 short-term vacation rentals). The average occupancy of hotel rooms over the most recent 12 months has been 71 percent, three percent higher than last year's average at this time.



Recreation Fees (\$1.4 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are down by four percent compared to last fiscal year at this time. As the year progresses, staff will continue to evaluate revenue trends and program life cycles to monitor and improve program performance.



Development Related Revenues (\$1.3 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a small increase for the first three months of the new fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in September included residential development on Garfield Street (condominiums) and on Home Avenue (condominiums). Industrial/commercial building activity included the new Hughes Circuits facility, the demolition and reconstruction of Hoehn Porsche, and Uptown Bressi (mixed use project).

One source of development related revenue is building permits, which are up 82 percent compared to last fiscal year. The increase in building permit revenue is derived from the combination of an increase in the valuation of new construction, a decrease in residential permitting activity, and an increase in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$132.2 million, while it was \$81.2 million in the previous fiscal year, a 38.6 percent increase. In September, Carlsbad issued building permits for seven residential dwelling units, a decrease from the 61 residential dwelling units permitted in August. In the northeast quadrant, six residential dwelling units will be built: three single-family homes and three second-dwelling units throughout the quadrant. In the southeast quadrant, one single-family home will be constructed. For the current fiscal year, 100 residential permits have been issued, as compared to 204 permits issued during the same period last year.

During the month of September, four commercial and industrial permits were issued for 161,770 square feet – 144,742 square feet for an industrial building in the Oaks North Industrial Park, 16,000 square feet for a commercial building in Bressi Ranch, 635 square feet in the La Costa Greens residential community, and 393 square feet at the Grand Pacific Hotel. Year-to-date, there has been 701,340 square feet of commercial/industrial permits issued, as compared to 24,935 square feet of commercial/industrial permits issued during the same period last year.



Income from Investments and Property (\$1 million) – For the first three months of the fiscal year, income from investments and property is up \$162,000 compared to the previous fiscal year.

Interest income is up \$88,000 for the year due to the combination of an 11.7 percent decrease in the average daily cash balance combined with a 22.4 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.171 percent last fiscal year to 1.433 percent in the current fiscal year).

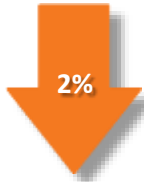
Income from property sales and rentals is up by \$74,000 for the year, primarily due an increase in facility and pool lane rentals.



Business License Tax (\$987,000) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.1 million for the current fiscal year. Business license revenues are down \$238,000 or 19 percent less than the previous fiscal year. This is primarily due to a change in the way that licenses are processed in the city's new business licensing system. This operational change has resulted in a timing delay

for invoicing customers and receiving payments when compared to the prior fiscal year. A significant portion of business license revenue for August and September is currently being processed.

There are currently 10,785 licensed businesses operating within the city, 1,020 more than the prior year. The majority of taxed businesses (7,184 businesses) are located in Carlsbad, with 2,863 of these businesses home-based.



Franchise Taxes (\$754,000) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.5 million for the current fiscal year. Year-to-date franchise taxes are \$18,000 lower than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down significantly by \$51,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$19,000 is due to more commercial accounts coming online from new development activity within the city, more payments being made on time, and the timing of cash receipts from bi-monthly billings. Additionally, a timing difference in the receipt of the fiber optic antenna system franchise payments has resulted in a \$14,000 increase in revenue for the year.

Approximately 43 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2018.



Interdepartmental Charges (\$731,000) – Interdepartmental charges are \$111,000, or 13 percent, lower than last year. These charges are generated through engineering services charged to capital projects (down 30 percent, or \$96,000) due to recent staffing vacancies; reimbursed work from other funds (flat); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (down 2.9 percent, or \$15,000), the result of an updated cost allocation plan.



Ambulance Fees (\$622,000) – The city bills any individual who is transported in one of the city's ambulances. Through September 2017, receipts from ambulance fees are down \$52,000 or 8 percent compared to last fiscal year. Fees collected should have been higher due to an increase in the number of billable transported patients however, in transitioning to a new ambulance billing provider in the prior fiscal year, there were less write-offs for uncollectable ambulance fees. Additionally, there is a timing difference in how the new ambulance billing provider reports out monthly compared to the previous provider. The number of billable transported patients for the first three months of Fiscal Year 2017-18 (1,212) versus Fiscal Year 2016-17 (1,192) has increased slightly.



Other Licenses and Permits (\$240,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. The decrease in revenues for the year is due to a reclassification of revenues that occurred during the implementation of the new permitting system (in November 2016). Some permitting activity that was previously reflected as other licenses and permits is now shown as building permits. Without this reclassification, other licenses and permits would have shown an increase for the year, while building permit revenues would have shown a smaller increase for the year.



Other Revenue Sources (\$235,000) – Other revenue sources have decreased by \$32,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The decrease

to date represents an increase in prior year refunds, a decrease in loss recovery reimbursements, and a decrease in administrative cost reimbursements received for managing developer deposits. These higher revenues were partially offset by an increase in miscellaneous contributions from property owners and other miscellaneous reimbursements received by the General Fund.



Other Intergovernmental Revenues (\$227,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$227,000 received this year is the solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project), state mandated cost reimbursements, and senior nutrition grants. The increase to date is a result of additional solar rebates received from the Center for Sustainable Energy as compared to the prior fiscal year.



Fines and Forfeitures (\$170,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date is due entirely to fewer revenues derived from moving violations.



Transfer Taxes (\$156,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have increased significantly, however, these revenues only represent one payment received by the city thus far in the fiscal year, and we anticipate these revenues to stabilize throughout the remainder of the year.



Other Charges or Fees (\$108,000) – Other charges and fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. For the first three months of the fiscal year, revenues are down by

\$15,000 but higher than the expected budget at this time of \$62,000.

Expenditures

Total General Fund expenditures and encumbrances through the month of September 2017 are \$53.9 million, compared to \$69 million at the same time last year. This leaves \$126 million, or 70 percent, available through the fiscal year ending June 30, 2018. If funds were spent in the same proportion as the previous year, the General Fund would have 64 percent available. This difference is attributable to some very large transfers out of the General Fund that were done at this time last year. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at September 30, 2017 is 72.5 percent, slightly higher than the 71.2 percent available at September 30, 2016.

The adopted General Fund budget for Fiscal Year 2017-18 increased by \$4 million due to the following factors:

- Increased personnel costs:
 - \$2.8 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 9.0 full-time staff, 1.0 limited-term staff and 16.33 part-time staff (predominantly for expanded parks and recreation programs and facilities, and to assist with day-to-day operations)
 - \$400,000 in additional retirement costs due to PERS rate increases and higher salaries
 - Increased health insurance and workers' compensation rates
 - Part-time employee salary increases
- Increased maintenance and operations costs (increase of \$600,000):
 - General inflationary adjustments of two percent
 - Inflationary adjustments partially offset by one-time expenditures from the previous fiscal year
 - General decreases in the internal service charges
 - Increases in credit card fees, citywide training, legal professional services, public nuisance abatement costs, costs associated with the new permitting system, operating costs associated with several new park facilities, fire engine equipment and a chemical detox unit, and upgrades to the Safety Training Center audio visual equipment
- Decreased capital outlay costs of \$200,000
- Increased transfers out of the General Fund:
 - Increase in the annual transfer to the Infrastructure Replacement Fund and the transfer to the Lighting and Landscaping District Funds for medians and trees

Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of September 30, 2017, nothing has been authorized out of the contingency account.

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 09/30/17	ACTUAL FY 2017 AS OF 09/30/16	ACTUAL FY 2018 AS OF 09/30/17	CHANGE FROM YTD 2017 TO YTD 2018	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$2,063,014	\$1,986,757	\$2,262,536	\$275,779	14%
SALES TAX	8,725,007	8,639,523	9,088,277	448,754	5%
TRANSIENT OCCUPANCY TAX	7,663,732	7,695,173	7,906,427	211,254	3%
FRANCHISE TAX	777,543	771,941	754,040	(17,901)	-2%
BUSINESS LICENSE TAX	1,442,064	1,224,450	986,804	(237,646)	-19%
TRANSFER TAX	94,656	116,313	155,972	39,659	34%
TOTAL TAXES	20,766,016	20,434,157	21,154,056	719,899	4%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	0	0	0	0	0%
OTHER	91,164	121,989	227,378	105,389	86%
TOTAL INTERGOVERNMENTAL	91,164	121,989	227,378	105,389	86%
LICENSES AND PERMITS					
BUILDING PERMITS	265,072	307,997	561,824	253,827	82%
OTHER LICENSES & PERMITS	188,349	341,516	239,929	(101,587)	-30%
TOTAL LICENSES & PERMITS	453,420	649,513	801,753	152,240	23%
CHARGES FOR SERVICES					
PLANNING FEES	197,388	300,344	198,577	(101,767)	-34%
BUILDING DEPARTMENT FEES	137,173	283,700	303,464	19,764	7%
ENGINEERING FEES	214,857	371,024	269,279	(101,745)	-27%
AMBULANCE FEES	730,886	673,912	621,696	(52,216)	-8%
RECREATION FEES	1,458,949	1,452,698	1,388,498	(64,200)	-4%
OTHER CHARGES OR FEES	61,765	122,276	107,756	(14,520)	-12%
TOTAL CHARGES FOR SERVICES	2,801,018	3,203,954	2,889,270	(314,684)	-10%
FINES AND FORFEITURES	221,590	209,783	169,856	(39,927)	-19%
INCOME FROM INVESTMENTS & PROPERTY	890,627	887,469	1,049,432	161,963	18%
INTERDEPARTMENTAL CHARGES	792,685	841,832	730,772	(111,060)	-13%
OTHER REVENUE SOURCES	213,507	267,437	235,405	(32,032)	-12%
TRANSFERS IN	10,000	10,000	11,500	1,500	15%
TOTAL GENERAL FUND	\$26,240,027	\$26,626,134	\$27,269,422	\$643,288	2%
(1)					
(1) Calculated General Fund revenues are 3.9% above estimates as of September 30, 2017.					

**GENERAL FUND
EXPENDITURE STATUS BY DEPARTMENT**

DEPT DESCRIPTION	TOTAL BUDGET FY 2017-18	AS OF 09/30/17		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$552,233	\$111,080	\$441,153	79.9%
CITY MANAGER	2,906,114	723,064	2,183,050	75.1%
COMMUNITY OUTREACH AND ENGAGEMENT	2,189,463	775,689	1,413,774	64.6%
CITY CLERK AND RECORDS MANAGEMENT	1,120,294	200,403	919,891	82.1%
CITY ATTORNEY	1,829,486	363,848	1,465,638	80.1%
CITY TREASURER	262,059	87,417	174,642	66.6%
TOTAL POLICY/LEADERSHIP	8,859,649	2,261,501	6,598,148	74.5%
ADMINISTRATIVE SERVICES				
FINANCE	5,645,182	1,592,015	4,053,167	71.8%
HUMAN RESOURCES	4,214,607	1,301,397	2,913,210	69.1%
TOTAL INTERNAL SERVICES	9,859,789	2,893,412	6,966,377	70.7%
PUBLIC SAFETY				
POLICE	39,135,238	9,339,303	29,795,935	76.1%
FIRE	23,233,414	5,921,954	17,311,460	74.5%
TOTAL PUBLIC SAFETY	62,368,652	15,261,257	47,107,395	75.5%
COMMUNITY DEVELOPMENT				
COMMUNITY AND ECONOMIC DEVELOPMENT	12,071,271	3,656,725	8,414,546	69.7%
HOUSING AND NEIGHBORHOOD SERVICES	1,546,735	588,171	958,564	62.0%
TOTAL COMMUNITY DEVELOPMENT	13,618,006	4,244,896	9,373,110	68.8%
COMMUNITY SERVICES				
PARKS AND RECREATION	18,518,368	6,564,669	11,953,699	64.6%
LIBRARY AND CULTURAL ARTS	14,146,659	3,060,466	11,086,193	78.4%
TOTAL COMMUNITY SERVICES	32,665,027	9,625,135	23,039,892	70.5%
PUBLIC WORKS				
PUBLIC WORKS ADMINISTRATION	2,151,731	415,777	1,735,954	80.7%
ENVIRONMENTAL MANAGEMENT	830,499	302,008	528,491	63.6%
GENERAL SERVICES	10,346,965	3,462,691	6,884,274	66.5%
TRANSPORTATION	8,524,147	2,637,528	5,886,619	69.1%
TOTAL PUBLIC WORKS	21,853,342	6,818,004	15,035,338	68.8%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	16,705,524	340,460	16,365,064	98.0%
TRANSFERS OUT	12,455,000	12,455,000	0	0.0%
CONTINGENCY	1,500,000	0	1,500,000	100.0%
TOTAL NON-DEPT & CONTINGENCY	30,660,524	12,795,460	17,865,064	58.3%
TOTAL GENERAL FUND	\$179,884,989	\$53,899,665	\$125,985,324	70.0%

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, 2014 citywide fires, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) Amount available would be 64% if funds were spent in the same proportion as the previous year.

Water Enterprise

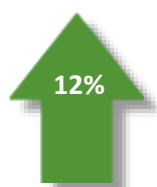
WATER OPERATIONS FUND SEPTEMBER 30, 2017					
	BUDGET FY 2017-18	YTD (*) 09/30/2016	YTD (*) 09/30/2017	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	\$ 35,300,000	\$ 10,420,150	\$ 11,400,234	\$ 980,084	9.4%
INTEREST	251,000	65,188	89,795	24,607	37.7%
MISC. SERVICE CHARGES	296,000	81,156	85,814	4,658	5.7%
PROPERTY TAXES	3,605,000	72,512	85,220	12,708	17.5%
FINES, FORFEITURES & PENALTIES	260,000	67,338	78,479	11,141	16.5%
OTHER REVENUES	648,000	168,343	162,254	(6,089)	-3.6%
TOTAL OPERATING REVENUE	40,360,000	10,874,687	11,901,796	1,027,109	9.4%
EXPENSES:					
STAFFING	3,681,630	881,642	851,497	(30,145)	-3.4%
INTERDEPARTMENTAL SERVICES	2,243,082	563,326	525,185	(38,141)	-6.8%
PURCHASED WATER	22,800,000	5,744,124	6,757,424	1,013,300	17.6%
MWD/CWA FIXED CHARGES	6,800,000	1,696,642	1,633,016	(63,626)	-3.8%
OUTSIDE SERVICES/MAINTENANCE	1,513,326	48,471	129,311	80,840	166.8%
DEPRECIATION/REPLACEMENT	3,910,000	951,827	977,500	25,673	2.7%
MISCELLANEOUS EXPENSES	1,046,641	174,443	366,156	191,713	109.9%
CAPITAL OUTLAY	31,530	3,297	9,823	6,526	197.9%
TOTAL OPERATING EXPENSES	42,026,209	10,063,772	11,249,912	1,186,140	11.8%
OPERATING INCOME/(LOSS)	\$ (1,666,209)	\$ 810,915	\$ 651,884	\$ (159,031)	-19.6%
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

Revenues



- The increase in water delivery revenues is the result of an average 5.25 and 4.85 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2016 and January 2017 respectively, coupled with a 4.5 percent increase in water sales during the first three months of the new fiscal year due to less restrictive water usage constraints.
- A 12.3 percent increase in the average cash balance combined with a 22.4 percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The increase in property taxes are the result of early year timing differences.
- The increase in fines and forfeitures is due primarily to an increase in late charges revenue.
- The decrease in other revenues is primarily the result of engineers within the Enterprise charging less of their time to capital improvement projects.

Expenses



- For Fiscal Year 2017-18, a total of 2.25 full-time positions have been reallocated to other programs from the Water Enterprise to better reflect each programs' workload.
- A 7.7 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) coupled with a four percent increase in the amount of water purchased, represent the primary drivers in this variance.
- Decreases in the calendar year 2017 SDCWA fixed charges have led to lower fixed charges.
- Increases in water sampling and landscape maintenance services have led to higher outside services/maintenance expenses.
- Increases in parts, meters and fittings are the largest factors in the miscellaneous expenses variance.
- The purchase of tablets to increase operational efficiencies for maintenance crews in the field account for the increase in capital outlay expenses.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND SEPTEMBER 30, 2017					
	BUDGET FY 2017-18	YTD (*) 09/30/2016	YTD (*) 09/30/2017	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	13,035,000	3,550,218	3,556,796	6,578	0.2%
INTEREST	75,000	24,781	38,192	13,411	54.1%
OTHER REVENUES	290,000	73,573	65,544	(8,029)	-10.9%
TOTAL OPERATING REVENUE	13,400,000	3,648,572	3,660,532	11,960	0.3%
EXPENSES:					
STAFFING	2,333,179	456,918	476,330	19,412	4.2%
INTERDEPARTMENTAL SERVICES	1,323,235	315,145	323,979	8,834	2.8%
ENCINA PLANT SERVICES	3,469,456	821,993	867,364	45,371	5.5%
OUTSIDE SERVICES/MAINTENANCE	745,723	72,775	60,731	(12,044)	-16.5%
DEPRECIATION/REPLACEMENT	3,650,000	905,619	912,500	6,881	0.8%
MISCELLANEOUS EXPENSES	658,795	126,167	115,053	(11,114)	-8.8%
CAPITAL OUTLAY	238,261	2,735	237,225	234,490	8573.7%
TOTAL OPERATING EXPENSES	12,418,649	2,701,352	2,993,182	291,830	10.8%
OPERATING INCOME/LOSS	981,351	947,220	667,350	(279,870)	-29.5%
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

Revenues



- Charges for current services are flat as there was no rate increase in January 2017.
- Cash balances in the fund have increased from last year, combined with an increase in the average yield on the portfolio, have impacted interest earnings for the year.
- The decrease in other revenues is driven primarily by the engineers within the Enterprise charging less of their time to capital improvement projects.

Expenses



- For Fiscal Year 2017-18, a total of 1.1 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload.
- Additional utility billing chargebacks, miscellaneous interdepartmental charges and general liability chargebacks have led to higher interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated on a monthly basis.
- Decreases in outside services/maintenance are primarily the result of prior year expenses for easement cleaning services and decreased work related to the SCADA system.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- Decreases in miscellaneous expenses is primarily the result of lower parts and equipment purchases.
- The purchase of a new vector truck is the primary driver in the capital outlay variance.